

Message Text

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47

ACTION EUR-12

INFO OCT-01 ISO-00 AF-06 OPIC-03 SAM-01 EURE-00 CIAE-00

PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01

SP-02 SS-15 USIA-06 IO-10 AID-05 COME-00 EB-07 FRB-03

TRSE-00 XMB-02 CIEP-01 LAB-04 SIL-01 OMB-01 /103 W

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FM AMEMBASSY LISBON

TO SECSTATE WASHDC PRIORITY 4259

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

USMISSION NATO

DIA WASHDC

USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L LISBON 5415

E.O. 11652: GDS

TAGS: PINTO, PO

SUBJ: AZEVEDO ECONOMIC PROGRAM

REF: LISBON 5400

1. REFTEL SUMMARIZED PINHEIRO DE AZEVEDO'S SEPTEMBER 13 PRESENTATION OF HIS PROGRAM. FOLLOWING COMMENTS HIGHLIGHT ECONOMIC ASPECTS WORTHY OF ATTENTION.

2. NATIONALIZATIONS: ALTHOUGH PINHEIRO STRESSED GOVERNMENT'S CONTINUED COMMITMENT TO ESTABLISHMENT OF SOCIALIST SYSTEMS, HE STRONGLY IMPLIED THAT TIME HAS ARRIVED FOR PAUSE IN THE WAVE OF NATIONALIZATIONS. BASIC OBJECTIVE AT PRESENT, HE STATED, IS TO
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ORGANIZE PUBLIC AND NATIONALIZED SECTORS. IN EFFECT, GOVERNMENT

PRESUMABLY WILL SLOW ITS INCURSIONS INTO PRIVATE SECTOR AND WILL CONCENTRATE ITS EFFORTS ON RESTIMULATING ECONOMY. PRINCIPAL STIMULATIVE TOOL WILL BE LARGE PUBLIC WORKS PROGRAMS HEAVILY ORIENTED TOWARD JOB CREATION.

3. PRIVATE SECTOR: THE PRIME MINISTER IMPLICITLY ACKNOWLEDGED THAT PUBLIC SECTOR INVESTMENTS WILL NOT BE SUFFICIENT TO REVIVE THE ECONOMY. HIS ADMINISTRATIONS HOPES, THEREFORE, TO REESTABLISH CONFIDENCE OF PRIVATE SECTOR IN ORDER TO GAIN ITS COOPERATION. THIS PASSAGE, WHICH CONFLICTS SHARPLY WITH PREVIOUS GOVERNMENT POLICY, IS VIRTUALLY DIRECT EXTRACT FROM RECENTLY PUBLISHED SOCIALIST PARTY TRANSITIONAL ECONOMIC PROGRAM.

4. ORDER: PRIME MINISTER'S REFERENCES TO DISCIPLINE AND ORDER INDICATE RECOGNITION THAT HIS ADMINISTRATION MUST TAKE DIFFICULT DECISIONS ON SUCH MATTERS AS LABOR-MANAGEMENT RELATIONS. WIHOUT THESE DECISION, HIS ECONOMIC PROGRAM WILL HAVE NO POSSIBILITY OF SUCCESS. INDEED, THESE DECISIONS CONSTITUTE ONLY A FIRST STEP TOWARD ECONOMIC RECOVERY. THE GOVERNMENT WILL ALSO HAVE TO IMPLEMENT AN UNPRECEDENTED INVESTMENT PROGRAM AND ADOPT A POSITIVE ATTITUDE TOWARD PRIVATE FIRMS IF IT IS TO OBTAIN SUPPORT FROM THE HIGHLY SKEPTICAL BUSINESS SECTOR. THE GOVERNMENT'S ABILITY TO IMPLEMENT SUCH A PROGRAM WITHIN A REASONABLE PERIOD TIME IS HIGHLY QUESTIONABLE. IF IT CANNOT, PORTUGAL HAS LITTLE POSSIBILITY OF ACHIEVING ECONOMIC RECOVERY WITHIN THE FORESEEABLE FUTURE.
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06 JUL 2006

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